

money of the United States at the office of the issuing bank and at some designated bank in a reserve city. The banks of the reserve cities were required to have a redemption agent in New York. The fact that the notes could be redeemed only in government paper money, which was of no greater value than the notes, prevented any general movement for redemption and gradually filled the channels of circulation with worn and mutilated currency. The notes of the banks distant from the reserve cities drifted only slowly into the redemption agencies and they were rarely sent at the expense of the bank which received them to the issuing bank for redemption. Several propositions were made to enforce prompt redemption, but nothing was enacted into law until 1874. The banks were required by an act of that year to pay into the Treasury of the United States a fund equal to five per cent, of their circulation, which was to be constantly kept good, for the redemption of mutilated notes. Mutilated notes received by any of the banks or the sub-Treasuries were to be sent to Washington for redemption and the expenses of the entire redemption agency and of the transportation of the notes were charged against the banks and then taken from the five per cent. fund.

Redemptions under the new system have been sufficiently rapid to withdraw notes which are badly worn, but have not been rapid enough to give elasticity to the volume of the currency. Where redemptions under the Suffolk system, with a circulation of \$40,000,000, were \$400,000,000 per year, redemptions under the national system were never higher, down to June 30, 1907, than 65.84 per cent, of average circulation for the year, and were often below 40 per cent. The maximum proportion was attained in 1905, when redemptions were \$308,298,760 with an average circulation of \$468,285,475, but the proportion of redemptions fell in 1906 to 55.07, and in 1907 to 40.77 per cent. Annual redemptions under the Suffolk system, therefore, were ten times the circulation,

while those under the national system have been less than one-half of the circulation. Economy of management was greatly in favor of the Suffolk system. For the